
PLAN OF CONVERSION

of

**PREMERA,
a Washington non-profit miscellaneous corporation,**

and its wholly owned subsidiaries,

**Premera Blue Cross,
a Washington non-profit health care service contractor,**

and

**LifeWise Health Plan of Washington,
a Washington non-profit health care service contractor.**

Dated as of •, 2002.

PLAN OF CONVERSION

This Plan of Conversion (the “Plan of Conversion”), dated as of •, 2002 provides for the conversion of PREMERA, a Washington non-profit miscellaneous corporation (“PREMERA”), and its wholly owned direct and indirect subsidiaries, Premera Blue Cross, a Washington non-profit health care service contractor (“PBC”), and LifeWise Health Plan of Washington, a Washington non-profit health care service contractor (“LifeWise Washington”), from Washington non-profit corporations organized under Titles 24.06 and 24.03 of the Revised Code of Washington (“RCW”) to Washington for-profit business corporations organized under Title 23B of the RCW (the “Conversion”).

Pursuant to the terms of the Conversion, PREMERA will first amend the Articles of Incorporation of PREMERA to provide that the [Foundation Shareholder], a Washington non-profit corporation (the “Foundation Shareholder”) which expects to qualify as tax exempt pursuant to Section 501(c)(4) of the Internal Revenue Code of 1986, as amended (the “Code”), will become the sole member of PREMERA. LifeWise Washington will then transfer, pursuant to the LifeWise Transfer Agreement (as defined below), all its assets and liabilities to its newly formed wholly owned for-profit subsidiary, [New LifeWise Health Plan of Washington Corp.], a for-profit Washington corporation (“New LifeWise Washington”), in exchange for 100% of the stock of New LifeWise Washington. LifeWise Washington will then perform a statutory liquidation and distribute the New LifeWise Washington stock to Washington-Alaska Group Services, Inc. PBC will then transfer, pursuant to the Alaska Transfer Agreement, certain of its assets and liabilities directly related to its operations in Alaska to its newly formed wholly owned subsidiary, Premera Blue Cross Blue Shield of Alaska, an Alaska for-profit insurance company that will be eligible to act as an insurer and transact “health and health care insurance” (as defined in Section 21.12.050 of the Alaska Statutes (“AS”)) (“PBC-AK”), in exchange for 100% of the stock of PBC-AK. PBC will then transfer, pursuant to the PBC Transfer Agreement, all of its other assets and liabilities, including the stock of PBC-AK and its health care service contractor registration in the State of Washington, to its other newly formed wholly owned subsidiary, [New Premera Blue Cross Corp.], a Washington for-profit corporation (“New PBC”), in exchange for 100% of the stock of New PBC. After the foregoing transfers, PBC-AK will become a direct wholly owned subsidiary of New PBC and New LifeWise Washington will become a direct wholly owned subsidiary of WAGS. PBC will then perform a statutory liquidation and distribute the New PBC stock to PREMERA. PREMERA will then transfer, pursuant to the PREMERA Transfer Agreement, all of its assets and liabilities to its newly formed wholly owned for-profit subsidiary, New PREMERA, a for-profit Washington corporation (“New PREMERA”), in exchange for 100% of the stock of New PREMERA. PREMERA will then perform a statutory liquidation and distribute the New PREMERA stock to the Foundation Shareholder.

After the completion of the Conversion, the Foundation Shareholder will own 100% of the capital stock of New PREMERA, and New PREMERA will directly control New PBC and indirectly control all of New PBC’s subsidiaries including States West Life Insurance Company, a Washington for-profit insurance company (“SWL”), New LifeWise Washington, MSC Life Insurance Company, a Washington for-profit insurance company (“MSC”), PBC-AK, and LifeWise Health Plan of Oregon, Inc., an Oregon for-profit insurance company (“LifeWise

Oregon,” and together with SWL, New LifeWise Washington, MSC and PBC-AK, collectively, the “Subsidiaries”). The Foundation Shareholder will gradually divest itself of the shares of New PREMERA stock over a period of time and use the resultant net proceeds to promote the health and welfare of the citizens of Washington and Alaska by distributing such proceeds to the [Washington Charitable Organization], a Washington non-profit corporation (the “Washington Charitable Organization”) which expects to qualify as tax exempt pursuant to Section 501(c)(3) of the Code, and [Alaska Charitable Organization], an Alaska non-profit corporation (the “Alaska Charitable Organization”) which expects to qualify as tax exempt pursuant to Section 501(c)(3) of the Code.

Capitalized terms used but not defined herein shall have the respective meanings set forth in the Form A (as defined below).

ARTICLE I

DEFINITIONS

As used in this Plan of Conversion, the following capitalized terms have the following meanings (if capitalized terms are not defined herein, such terms have the meaning given in the Form A):

“Alaska Charitable Organization” has the meaning set forth in the Preamble hereof.

“AS” has the meaning set forth in the Preamble hereof.

“BCBSA” means the Blue Cross and Blue Shield Association, owner of the Blue Cross[®] and Blue Shield[®] names and marks.

“Blue Cross and Blue Shield Licensing Agreement Addendum” means an agreement to be in effect as of the Closing Date between New PREMERA and the BCBSA that licenses New PREMERA (and indirectly, New PBC) to use the Blue Cross and Blue Shield name and mark.

“Closing Date” has the meaning set forth in Section 4.3(b) hereof.

“Code” has the meaning set forth in the Preamble hereof.

“Conversion” has the meaning set forth in the Preamble hereof.

“Destacking Transaction” has the meaning set forth in Section 4.4 hereof.

“Disclaimer of Control” has the meaning set forth in Section 4.2 hereof.

“Favorable Ruling” has the meaning set forth in Section 4.3(a)(xiv) hereof.

“Form A” means the Statement Regarding the Acquisition of Control of a Domestic Health Carrier and a Domestic Insurer which was filed on behalf of the Company with the Insurance Commissioner of the State of Washington, the Attorney General of the State of

Washington, the Alaska Division of Insurance and the Oregon Insurance Division on September 17, 2002.

“Form D” means the Prior Notice of a Transaction which was filed concurrently with the Form A on behalf of the Company with the Insurance Commissioner of the State of Washington, the Attorney General of the State of Washington, the Alaska Division of Insurance and the Oregon Insurance Division.

“Foundation Shareholder” has the meaning set forth in the Preamble hereof.

“LifeWise Oregon” has the meaning set forth in the Preamble hereof.

“LifeWise Transfer Agreement” means the [LifeWise Washington Transfer of Assets Agreement], an agreement substantially in the form attached as Exhibit A hereto, between LifeWise Washington and New LifeWise Washington dated as of the Closing Date

“LifeWise Washington” has the meaning set forth in the Preamble hereof.

“MSC” has the meaning set forth in the Preamble hereof.

“New LifeWise Washington” has the meaning set forth in the Preamble hereof.

“New PBC” has the meaning set forth in the Preamble hereof.

“New PREMIERA” has the meaning set forth in the Preamble hereof.

“ORS” means the Oregon Revised Statutes.

“Plan of Conversion” has the meaning set forth in the Preamble.

“Plan of Conversion Documents” means the Voting Trust and Divestiture Agreement, the Registration Agreement, the Escrow Agreement, the Indemnification Agreement, the License Agreement, the Stock Restrictions Agreement, Blue Cross and Blue Shield Licensing Agreement Addendum, the Management Agreement, the LifeWise Transfer Agreement, the Alaska Transfer Agreement, the PBC Transfer Agreement, the PREMIERA Transfer Agreement, and any other documents set forth in this Plan of Conversion and related thereto.

“PBC” has the meaning set forth in the Preamble hereof.

“PBC-AK” has the meaning set forth in the Preamble hereof.

“PREMIERA” has the meaning set forth in the Preamble hereof.

“RCW” has the meaning set forth in the Preamble hereof.

“Subsidiaries” has the meaning set forth in the Preamble hereof.

“SWL” has the meaning set forth in the Preamble hereof.

“WAC” means the Washington Administrative Code.

“Washington Charitable Organization” has the meaning set forth in the Preamble hereof.

“Washington Insurance Commissioner” means the Insurance Commissioner of the State of Washington.

ARTICLE II

PURPOSES OF CONVERSION

The PREMERA family of companies desires to reorganize in a manner that will allow New PREMERA to access the equity capital markets. Such capital availability would enhance the New PREMERA family of companies’ flexibility and responsiveness to customer needs in an increasingly demanding healthcare marketplace. Access to equity capital would also allow the New PREMERA family of companies to make continued investments in new products and technology, support a growing customer base and allow the New PREMERA family of companies to continue to make the experience of its customers regarding their health plan better and more efficient. It would also provide additional resources to support New PREMERA’s intent to remain the strong, locally managed independent parent company of the New PREMERA family of companies in a world of ever-increasing consolidations in the healthcare system. After the completion of the reorganization, New PREMERA would have the right to issue and sell newly issued shares of New PREMERA, at its discretion, with proceeds going directly to New PREMERA to fund the ongoing capital needs of New PBC and the Subsidiaries.

Furthermore, as part of the proposed conversion, the Foundation Shareholder will receive 100% of the initial stock of New PREMERA. The Foundation Shareholder will use the proceeds from the sale of such New PREMERA stock to create a fund that will be dedicated to health initiatives for the citizens of PBC’s Washington and Alaska service areas. PREMERA believes that, through the creation of such a fund, the reorganization could result in substantial amounts dedicated to the public benefit.

ARTICLE III

[RESERVED]

ARTICLE IV

THE PLAN OF CONVERSION

4.1 Background. The Board of Directors of PREMERA adopted this Plan of Conversion by unanimous vote at a meeting duly called and held on •. The resolution of the Board of Directors of PREMERA approving this Plan of Conversion is attached hereto as Exhibit B. The Board of Directors of PBC adopted this Plan of Conversion by unanimous vote at a meeting duly called and held on •. The resolution of the Board of Directors of PBC approving this Plan of Conversion is attached hereto as Exhibit C. The Board of Directors of

LifeWise Washington adopted this Plan of Conversion by unanimous vote at a meeting duly called and held on •. The resolution of the Board of Directors of LifeWise Washington approving this Plan of Conversion is attached hereto as Exhibit D.

4.2 Effect of the Conversion. The Foundation Shareholder will own, as of the consummation of the Plan of Conversion, 100% of the issued and outstanding capital stock of New PREMERA, and indirectly own 100% of the stock of New PBC and the Subsidiaries. Although the Foundation Shareholder will own 100% of the initial capital stock of New PREMERA pursuant to the Plan of Conversion, it has disclaimed “control” of New PREMERA (“Disclaimer of Control”), New PBC and the Subsidiaries within the meaning of Section 48.31B.005(2) and Section 48.31C.010(3) of the RCW, Section 21.22.200(3) of the AS and Section 732.548(2) of the ORS.

The Foundation Shareholder will divest its New PREMERA stock over a period of time pursuant to the Voting Trust Agreement. It shall use the resultant net proceeds to promote the health and welfare of the citizens of Washington and Alaska by distributing such proceeds to the Washington Charitable Organization and Alaska Charitable Organization pursuant to the Stock Restrictions Agreement.

New PREMERA will remain subject to all of PREMERA’s liabilities, obligations and relations of whatever kind and will succeed to all property, assets, rights, interests and relations of PREMERA. Likewise, New PBC will remain subject to all of PBC’s liabilities, obligations and relations of whatever kind and will succeed to all property, assets, rights, interests and relations of PBC, and New LifeWise Washington will remain subject to all of LifeWise Washington’s liabilities, obligations and relations of whatever kind and will succeed to all property, assets, rights, interests and relations of LifeWise Washington.

Following the Conversion, since New PREMERA, New PBC and New LifeWise Washington will assume all of the liabilities, obligations and relations of whatever kind of PREMERA, PBC and LifeWise Washington, respectively, there will be no change in the rights of PBC or LifeWise Washington subscribers and certificate holders to medical or hospital services, or the payment of claims to reimburse such services. Like PREMERA, PBC, and LifeWise Washington, New PREMERA, New PBC, and New LifeWise Washington will meet all of the applicable standards and conditions required under Title 48 of the RCW and Title 21 of the AS, including applicable minimum capital and surplus requirements. Thus, this Plan of Conversion adequately protects the existing contractual rights of PBC’s and LifeWise Washington’s subscribers and certificate holders to medical and hospital services and claims for reimbursement for these services.

PBC’s and LifeWise Washington’s subscribers and certificate holders have no right to receive any assets, surplus, capital, payment or distribution or to receive any stock or other ownership interest in New PREMERA, New PBC or New LifeWise Washington. No director, officer or employee of PREMERA, PBC or LifeWise Washington will receive (a) any fee, commission, compensation or other valuable consideration for aiding, promoting or assisting in the Conversion, other than compensation paid to such individuals in the ordinary course of business, or (b) any distribution of the assets, surplus, capital or capital stock of PBC,

PREMERA, LifeWise Washington, New PREMERA, New PBC or New LifeWise Washington, as part of the Conversion.

4.3 Effectiveness of Plan of Conversion.

(a) Conditions. Each of the following events must occur prior to consummation of the Conversion:

(i) *Washington Insurance Commissioner.*

(A) PREMERA, on behalf of New PREMERA, must have received approval of the Form A and the Form D from the Washington Insurance Commissioner pursuant to orders of the Washington Insurance Commissioner that are in form and substance acceptable to the Board of Directors of PREMERA and PBC.

(B) PREMERA, on behalf of the Foundation Shareholder, must have received approval of the Disclaimer of Control from the Washington Insurance Commissioner pursuant to an order of the Washington Insurance Commissioner that is in form and substance acceptable to the Board of Directors of PREMERA and PBC.

(C) PREMERA, on behalf of New PREMERA, must have confirmation from the Commissioner that the transfer of the assets, including, but not limited to, all “insurance contracts” (as defined in Section 284-95-030(6) of the WAC), of PBC to New PBC and of LifeWise Washington to New LifeWise Washington will not be deemed to trigger the requirements of Chapter 284-95 of the WAC.

(ii) *Alaska Division of Insurance.*

(A) PREMERA, on behalf of New PREMERA, must have received approval of the Form A and the Form D from the Alaska Division of Insurance pursuant to orders of the Alaska Division of Insurance that are in form and substance acceptable to the Board of Directors of PREMERA and PBC.

(B) PREMERA, on behalf of the Foundation Shareholder, must have received an approval of the Disclaimer of Control from the Alaska Division of Insurance pursuant to an order of the Alaska Division of Insurance that is in form and substance acceptable to the Board of Directors of PREMERA and PBC.

(C) The Alaska Division of Insurance shall have approved the granting of a certificate of authority to act as an insurer and transact “health and health care insurance” (as defined in Section 21.12.050 of the AS) in Alaska to PBC-AK pursuant to Chapter 21.09 of the AS, the application for which was made in accordance with Section 21.09.110 of the AS.

(iii) *Oregon Insurance Division.*

(A) PREMERA, on behalf of New PREMERA, must have received approval of the Form A and the Form D from the Oregon Insurance Division pursuant to orders of the Oregon Insurance Division that are in form and substance acceptable to the Board of Directors of PREMERA and PBC.

(B) PREMERA, on behalf of the Foundation Shareholder, must have received approval of the Disclaimer of Control from the Oregon Insurance Division pursuant to an order of the Oregon Insurance Division that is in form and substance acceptable to the Board of Directors of PREMERA and PBC.

(iv) *Foundation Shareholder.* With regard to the Foundation Shareholder:

(A) the Foundation Shareholder shall be duly organized, validly existing and in good standing as a non-profit corporation under the laws of the State of Washington and shall be operating under the Articles of Incorporation and Bylaws,

(B) the Board of Directors of the Foundation Shareholder shall have approved and authorized the execution, delivery and performance by the Foundation Shareholder of the Indemnification Agreement, the Stock Restrictions Agreement, the License Agreement, the Voting Trust Agreement, the Registration Agreement and any other Plan of Conversion Document to which the Foundation Shareholder is a party, and

(C) unless waived by PREMERA, the Foundation Shareholder shall have received a determination letter from the Internal Revenue Service that it is exempt from taxation under Section 501(c)(4) of the Code.

(v) *Washington Charitable Organization.* With regard to the Washington Charitable Organization:

(A) the Washington Charitable Organization shall be duly organized, validly existing and in good standing as a non-profit corporation under the laws of the State of Washington and shall be operating under the Articles of Incorporation and Bylaws, and

(B) unless waived by PREMERA, the Washington Charitable Organization shall have received a determination letter from the Internal Revenue Service that it is exempt from taxation under Section 501(c)(3) of the Code.

(vi) *Alaska Charitable Organization.* With regard to the Alaska Charitable Organization:

(A) the Alaska Charitable Organization shall be duly organized, validly existing and in good standing as a non-profit corporation under the laws of the

State of Alaska and shall be operating under the Articles of Incorporation and Bylaws, and

(B) unless waived by PREMERA, the Alaska Charitable Organization shall have received a determination letter from the Internal Revenue Service that it is exempt from taxation under Section 501(c)(3) of the Code.

(vii) *PBC*. The Board of Directors of PBC shall have approved and authorized the transfer of certain of its assets and liabilities directly related to its operations in Alaska to PBC-AK in exchange for 100% of the stock of PBC-AK pursuant to the Alaska Transfer Agreement, the transfer of its other assets and liabilities, including the stock of PBC-AK and its health care service contractor registration in the State of Washington, to New PBC in exchange for 100% of the stock of New PBC, the liquidation of PBC and distribution of its remaining asset, the New PBC stock, to PREMERA pursuant to the PBC Transfer Agreement, and the consummation by PBC of the other transactions as contemplated herein.

(viii) *PREMERA*. The Board of Directors of PREMERA shall have approved and authorized the execution, delivery and performance by PREMERA of the Stock Restrictions Agreement, the Indemnification Agreement, and any other Plan of Conversion Document to which PREMERA is a party, the transfer of its assets and liabilities to New PREMERA in exchange for 100% of the stock of New PREMERA, and the liquidation of PREMERA and distribution of its remaining asset, the New PREMERA stock, to the Foundation Shareholder pursuant to the PREMERA Transfer Agreement, and the consummation by New PREMERA of the other transactions as contemplated herein.

(ix) *New PBC*. With regard to New PBC:

(A) the Articles of Incorporation of New PBC shall be filed with the Washington Secretary of State, and

(B) the incorporator shall adopt the Bylaws of New PBC and shall appoint a slate of directors and officers of New PBC identical to the persons serving in such capacities for PBC, who will serve in the same capacities for New PBC.

(x) *PBC-AK*. With regard to PBC-AK:

(A) the Articles of Incorporation of PBC-AK shall be filed with the Alaska Secretary of State,

(B) the incorporator shall adopt the Bylaws of PBC-AK and shall appoint a slate of directors and officers of PBC-AK, and

(C) PBC-AK shall acquire a certificate of authority to act as an insurer and transact “health and health care insurance,” as defined in Section 21.12.050 of the AS, in Alaska to PBC-AK pursuant to Chapter 21.09 of the AS.

(xi) *New PREMERA.* With regard to New PREMERA:

(A) the Articles of Incorporation of New PREMERA shall be filed with the Washington Secretary of State, and

(B) the incorporator shall adopt the Bylaws of New PREMERA and shall appoint a slate of directors and officers of New PREMERA identical to the persons serving in such capacities for PREMERA, who will serve in the same capacities for New PREMERA.

(xii) *LifeWise Washington.* The Board of Directors of LifeWise Washington shall have approved and authorized the transfer of its assets and liabilities to New LifeWise Washington in exchange for 100% of the stock of New LifeWise Washington, the liquidation of LifeWise Washington and distribution of its remaining asset, the New LifeWise Washington stock, to PBC pursuant to the LifeWise Transfer Agreement, and the consummation by LifeWise Washington of the other transactions as contemplated herein.

(xiii) *New LifeWise Washington.* With regards to New LifeWise Washington:

(A) the Articles of Incorporation of New LifeWise Washington substantially in the form attached hereto as Exhibit E shall be filed with the Washington Secretary of State, and

(B) the incorporator shall adopt the Bylaws of New LifeWise Washington substantially in the form attached hereto as Exhibit F and shall appoint a slate of directors and officers of New LifeWise Washington identical to the persons serving in such capacities for LifeWise Washington, who will serve in the same capacities for New LifeWise Washington.

(xiv) *IRS Rulings.* Unless waived by PREMERA, PREMERA (or the appropriate party) shall have received a private letter ruling (the “Favorable Ruling”) from the Internal Revenue Service that the Conversion will constitute one or more reorganizations under Section 368(a) of the Code, that PREMERA, PBC and LifeWise Washington will be parties to a reorganization and that the Conversion will not result in the recognition of gain or loss by PREMERA, PBC or LifeWise Washington or New PREMERA, New PBC or New LifeWise Washington for federal income tax purposes, and the Favorable Ruling shall not have been revoked, withdrawn, amended or modified (in whole or in part), and there shall have been no change in applicable law (including, without limitation, the Code, judicial decisions, administrative regulations and published rulings) with regard to matters covered by the Favorable Ruling.

(xv) *Tax Opinions.* PREMERA, PBC and LifeWise Washington shall have received an opinion of ●, special counsel to PREMERA, PBC and LifeWise Washington, dated as of the Closing Date, in form and substance reasonably satisfactory to PREMERA, PBC and LifeWise Washington and, based upon facts, representations and assumptions set forth in such opinion that are consistent with the state of facts existing as of the Closing Date, to the effect that (i) the Conversion should be treated for federal income tax purposes as one or more reorganizations under Section 368(a) of the Code and PREMERA, PBC and LifeWise Washington should be a party to a reorganization, (ii) the Conversion should not result in the recognition of gain or loss for federal income tax purposes by PREMERA, PBC, LifeWise Washington, New PREMERA, New PBC or New LifeWise Washington, and (iii) PREMERA will not recognize any gain or loss for federal income tax purposes as a result of receiving stock of New PREMERA, PBC will not recognize any gain or loss for federal income tax purposes as a result of receiving stock of New PBC, and LifeWise Washington will not recognize any gain or loss for federal income tax purposes as a result of receiving stock of New LifeWise Washington. Also, PREMERA shall have received an opinion from counsel, dated as of the Closing Date in form and substance reasonably satisfactory to PREMERA, based upon facts, representations and assumptions set forth in such opinion that are consistent with the state of facts existing at the Closing Date, to the effect that the Foundation Shareholder will not incur any federal tax liability from the Conversion or as a result of receiving stock of New PREMERA. PREMERA may unilaterally waive any of the conditions in the preceding sentences of this paragraph. In rendering such opinions, counsel may require and rely upon certain representations contained in certificates of officers of PBC, New PBC, PREMERA, New PREMERA, LifeWise Washington, New LifeWise Washington and the Foundation Shareholder and may, if applicable, rely upon the Favorable Ruling. The condition set forth in this Section 4.3(a)(xv) shall be deemed satisfied to the extent that (i) the matters to be covered by the tax opinions are instead covered by the Favorable Ruling and (ii) the facts, representations, and assumptions set forth in such Favorable Ruling are consistent with the state of facts existing at the Closing Date.

(xvi) *Washington Attorney General.* Any required approval of the Washington Attorney General in regard to (a) the Foundation Shareholder's Articles of Incorporation and Bylaws, (b) the Washington Charitable Organization's Articles of Incorporation and Bylaws and (c) the dissolution and distribution of all of the assets of PREMERA, PBC and LifeWise Washington in accordance with this Plan of Conversion shall have been received.

(xvii) *BCBSA.* The Blue Cross and Blue Shield Licensing Agreement Addendum must be in full force and effect; and New PREMERA and New PBC and PBC-AK must have received written approval from the BCBSA for New PBC, PBC-AK, and PREMERA to operate as for-profit business corporations pursuant to this Plan of Conversion and to use of the Blue Cross and Blue Shield name and mark to the same extent as PBC and PREMERA, respectively.

(xviii) *No Proceedings to Restrain.* No temporary restraining order, preliminary or permanent injunction or other order of any court of competent jurisdiction or other

legal restraint or prohibition preventing the consummation of the Conversion shall be in effect, and no action shall have been taken or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Plan of Conversion which makes the consummation of the Conversion illegal.

(xix) *Other Consents.* There shall have been obtained any other consents and approvals of governmental authorities and private parties determined by PREMERA to be necessary or advisable in connection with the closing of the Conversion.

(b) *Closing of Conversion.* The closing of the Conversion shall occur on a date to be determined by PREMERA upon fulfillment or waiver of all of the conditions specified in Section 4.3(a) (the “Closing Date”). Exhibit G hereto sets forth the transaction steps to be taken to effect the Conversion on or in connection with the Closing Date

4.4 Future Reorganization Plans. After the consummation of the Conversion, for administrative convenience and subject to applicable regulatory approvals, New PREMERA may choose to undertake a series of corporate reorganization transactions pursuant to which SWL, LifeWise Washington, LifeWise Oregon and MSC would become direct wholly owned subsidiaries of New PREMERA and sister subsidiaries of New PBC (collectively, the “Destacking Transaction”).

ARTICLE V

ADDITIONAL PROVISIONS

5.1 Amendments. PREMERA may amend, restate and supplement this Plan of Conversion, and upon doing so, will promptly provide copies thereof to the Washington Insurance Commissioner, the Attorney General of the State of Washington, the Alaska Division of Insurance and the Oregon Insurance Division.

5.2 Cancellation. PREMERA, PBC and LifeWise Washington are not obligated to proceed with a Conversion. PREMERA, PBC and LifeWise Washington are concerned that any action approving the Form A by the Washington Insurance Commissioner, the Attorney General of the State of Washington, the Alaska Division of Insurance and the Oregon Insurance Division could contain conditions that might not be acceptable to PREMERA and PBC. Therefore, PREMERA, PBC and LifeWise Washington expressly reserve the right, at any time prior to the closing of the Conversion, to cancel and abandon this Plan of Conversion, and upon doing so, will promptly provide notice thereof to the Washington Insurance Commissioner, the Attorney General of the State of Washington, the Alaska Division of Insurance and the Oregon Insurance Division.

5.3 Plan of Reorganization. It is intended by PREMERA, PBC and LifeWise Washington that the transactions constituting the Conversion will generally occur simultaneously as a part of one or more tax-free reorganizations within the meaning of Section 368(a) of the Code. PREMERA, PBC and LifeWise Washington hereby adopt (and upon formation of New PREMERA, New PBC, PBC-AK and New LifeWise Washington, New PREMERA, New PBC, PBC-AK and New LifeWise Washington hereby confirm and ratify) this Plan of Conversion as a plan of reorganization within the meaning of Treas. Reg §§ 1.368-2(g) and 1.368-3(a).

[Remainder of this page intentionally left blank.]

PREMERA

By: _____
Its: _____

Premera Blue Cross

By: _____
Its: _____

LifeWise Health Plan of Washington

By: _____
Its: _____

EXHIBITS

Exhibit A:	LifeWise Transfer Agreement
Exhibit B:	PREMERA Resolution approving the Plan of Conversion
Exhibit C:	PBC Resolution approving the Plan of Conversion
Exhibit D:	LifeWise Washington Resolution approving the Plan of Conversion
Exhibit E:	Articles of Incorporation of New LifeWise Washington
Exhibit F:	By-Laws of New LifeWise Washington
Exhibit G:	Transaction Steps

EXHIBIT B

EXHIBIT C

EXHIBIT D

EXHIBIT G

TRANSACTION STEPS

At the closing of the conversion, the subsequent steps will take place in the following order:

- Step 1. The members of PREMERA shall approve the Articles of Amendment of the Articles of Incorporation of PREMERA, substantially in the form attached hereto as Exhibit D-24, which provide that the Foundation Shareholder will become the sole member of PREMERA.
- Step 2. The Board of Directors of New LifeWise Washington shall approve and authorize the issuance to LifeWise Washington of all of New LifeWise Washington's outstanding common stock in exchange for all of the assets and liabilities of LifeWise Washington pursuant to the LifeWise Transfer Agreement, and the consummation by New LifeWise Washington of the other transactions as contemplated herein.
- Step 3. LifeWise Washington and New LifeWise Washington shall execute and deliver to each other the LifeWise Transfer Agreement.
- Step 4. New LifeWise Washington shall issue to LifeWise Washington 100% of its outstanding capital stock and shall issue a stock certificate to LifeWise Washington evidencing such shares in exchange for all of the assets and liabilities of LifeWise Washington.
- Step 5. LifeWise Washington shall perform a statutory liquidation and contribute its remaining asset, the New LifeWise Washington stock, to WAGS. Such contribution shall be evidenced by the LifeWise Washington's endorsement for transfer and delivery to WAGS of the New LifeWise Washington stock certificate delivered to LifeWise Washington pursuant to Step 4 above.
- Step 6. The Board of Directors of PBC-AK shall approve and authorize the execution, delivery and performance by PBC-AK of the Management Agreement and any other Plan of Conversion Document to which PBC-AK is a party, the issuance to PBC of all of PBC-AK's outstanding common stock in exchange for PBC's assets and liabilities directly related to its operations in Alaska pursuant to the Alaska Transfer Agreement, and the consummation by PBC-AK of the other transactions as contemplated herein.
- Step 7. PBC and PBC-AK shall execute and deliver to each other the Alaska Transfer Agreement. The Board of Directors of PBC-AK shall approve and authorize the execution, delivery and performance by PBC-AK of the Blue Cross and Blue Shield Licensing Agreement Addendum.

- Step 8. PBC-AK shall issue to PBC 100% of its outstanding capital stock and shall issue a stock certificate to PBC evidencing such shares in exchange for certain of PBC assets and liabilities directly related to its operations in Alaska.
- Step 9. The Board of Directors of New PBC shall approve and authorize the execution, delivery and performance by New PBC of the Management Agreement and any other Plan of Conversion Document to which New PBC is a party, the issuance to PBC of all of New PBC's outstanding common stock in exchange for all of the assets and liabilities of PBC pursuant to the PBC Transfer Agreement, and the consummation by New PBC of the other transactions as contemplated herein. The Board of Directors of New PBC shall approve and authorize the execution, delivery and performance by New PBC of the Blue Cross and Blue Shield Licensing Agreement Addendum.
- Step 10. PBC and New PBC shall execute and deliver to each other the PBC Transfer Agreement.
- Step 11. New PBC shall issue to PBC 100% of its outstanding capital stock and shall issue a stock certificate to PBC evidencing such shares in exchange for all of the assets and liabilities of PBC including the PBC-AK stock.
- Step 12. PBC shall perform a statutory liquidation and contribute its remaining assets, the New PBC stock, to PREMIERA. Such contribution shall be evidenced by the PBC's endorsement for transfer and delivery to New PREMIERA of the New PBC stock certificate delivered to PBC pursuant to Step 11 above.
- Step 13. New PBC and PBC-AK shall execute and deliver to each other the Management Agreement.
- Step 14. The Board of Directors of New PREMIERA shall approve and authorize the execution, delivery and performance by New PREMIERA of the Blue Cross and Blue Shield Licensing Agreement Addendum, the Indemnification Agreement, the Stock Restrictions Agreement, the Escrow Agreement, the License Agreement, the cost allocation and tax sharing agreements described in the Form D, the Voting Trust Agreement, the Registration Rights Agreement and any other Plan of Conversion Document to which New PREMIERA is a party, the issuance to PREMIERA of all of New PREMIERA's outstanding common stock in exchange for all of the assets and liabilities of PREMIERA pursuant to the PREMIERA Transfer Agreement, and the consummation by New PREMIERA of the other transactions as contemplated herein.
- Step 15. PREMIERA and New PREMIERA shall execute and deliver to each other the PREMIERA Transfer Agreement.
- Step 16. New PREMIERA shall issue to PREMIERA 100% of its outstanding capital stock and shall issue a stock certificate to PREMIERA evidencing such shares in exchange for all of the assets and liabilities of PREMIERA.

- Step 17. PREMERA, the PREMERA Group, New PREMERA, the New PREMERA Group and the Foundation Shareholder shall execute and deliver to each other the Indemnification Agreement.
- Step 18. PREMERA, New PREMERA, and the Foundation Shareholder shall execute and deliver to each other the Stock Restrictions Agreement.
- Step 19. PREMERA shall perform a statutory liquidation and contribute its remaining asset, the New PREMERA stock, to PREMERA. Such contribution shall be evidenced by PREMERA's endorsement for transfer and delivery to the Foundation Shareholder of the New PREMERA stock certificate delivered to PREMERA pursuant to Step 11 above.
- Step 20. The Foundation Shareholder and New PREMERA shall execute and deliver to each other the Registration Rights Agreement.
- Step 21. To comply with requirements imposed by the BCBSA, the Foundation Shareholder, New PREMERA and the Trustee designated therein shall execute and deliver to each other the Voting Trust Agreement, and certificates evidencing shares of the New PREMERA stock required to be deposited in trust pursuant to the terms of this Agreement shall be endorsed and delivered by the Foundation Shareholder to the Trustee.
- Step 22. New PBC and the Foundation Shareholder shall execute and deliver the License Agreement.
- Step 23. New PREMERA and the Escrow Agent shall execute and deliver the Escrow Agreement.